

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 4, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Steven Slovenski, Legal Counsel; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist;
Guests: Al Picconi, Southern Wine & Spirits of New England, Inc.; Michael Goclowski, Law Warehouses.

EXCUSED: George Tsiopras, Chief Financial Officer

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending January 1, 2006 increased by 10.64% or \$995,992 for the weekly comparison, and also increased year-to-date by 5.89% or \$13,014,659.

B. Budget/Administrative Reports:

All new bills have now been released, and Craig has been tracking five of them which pertain to liquor. He will keep the Commission, Eddie and Steve posted on their progress.

The Law contract intent to renew letter has been signed by the Commission. This will be provided to Brian Law, and the renewal process will be initiated within the next few weeks.

Increasing the size of the vehicle fleet and permanently assigning a number of vehicles was discussed at the Senior Staff Meeting last Thursday. Craig asked the Commission to vote on a (staff) recommended plan to increase the Commission's vehicle fleet to 41 vehicles (from 35) and to permanently assign five vehicles to individuals who have been permanently assigned, or will be permanently assigned, a state vehicle. It was moved by Commissioner Russell, seconded by Commissioner Maiola, that the request be forwarded to Governor and Council. The motion was unanimously adopted.

The revenue estimate for liquor for December reached 13.6%, which was short of the projected 17.4%. This represents \$1 million less than last year. However, beer sale estimates were exceeded by \$100,000. Brian Law

commented that Law picked 327,000 cases, which was 6% higher than last December. There was also a 22% increase in the single bottle pick over last year.

2. IT Report

We are still experiencing problems with communications, and OIT's network people are working with IT on this. Only one solution can be attempted each day to try to determine where the problem lies.

There will be a meeting with contract personnel from OIT today to finalize the RFP for the point-of-sale program. Signatures will then be sought from the Commission to move forward. The RFP should be out by mid-week next week, with all needs met by June 30th.

The special offers program is ready, but needs Commission approval of the documents allowing it to move forward. Howard suggested that some rules may need to be developed to set some limitations on the program.

John Bunnell brought up some issues occurring with the wine sale. Peter suggested that items which are restricted should include the notation "not a promotional item". It would take about three or four hours work time for Howard's staff to install this. John proposed seeking permission from the Commission to remove the 12-bottle purchase requirement to help eliminate customer dissatisfaction and at the same time allow the sale of more product. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the 12-bottle purchase requirement be removed from the wine sale, and that the 15% discount be applied to each bottle of wine purchased. The motion was unanimously adopted.

3. Human Resources Report

Evie reported that there has been an increase in workers' compensation injuries over the last four to five months. She suggested that Directors and Bureau Chiefs take advantage of using some of these employees for "light" duty when a clerical need arises. She also informed the Commission that a claim of \$40,000 will be paid out within the next week or so. Peter remarked that the next step should be using self-leveling pallets. There was brief discussion concerning what other measures and methods are being used to ensure that workers are properly trained regarding safety.

II. MARKETING & SALES REPORTS

1. Store Operations:

Brian Law said that the Tuesday after Christmas broke a record at Law Warehouse, with an increase of 50%. Some employees worked 15+ hours per day during that week. Peter said a milestone was set that day at the Salem store, with sales of over \$208,000, and total sales of about \$957,000 during six days that week. Store #49 in Plaistow also hit a milestone of almost \$100,000 for the one day.

In addition, instant lottery ticket sales hit over \$50,000 on the Friday before Christmas, including the three stores participating in the pilot program. Instant dispensers will be installed in the remainder of the stores this week. John Bunnell said that the cooperative advertising effort with Sweepstakes is working out very well.

Stores are in clean up mode after the holidays and are getting ready to take quarterly inventory beginning next week.

John Tower and Peter will be meeting with Hong Environmental for a pre-contract meeting tomorrow at the Department of Transportation.

Commissioner Russell mentioned that she has been observing the Keene store for some time now, and noticed that there is no facility nearby at night to drop off deposits. She plans to consult with Konover and the local bank in Keene regarding the possibility of having a bank built at the Marketplace.

2. Purchasing Report

Although there are now a significant number of items which are out of stock, John believes that both warehouses will be replenished within a couple of weeks.

3. Merchandising Report

A. SPIRITS:

1) Test Market Results:

a. 13 spirit items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission take the following actions for the following thirteen (13) spirit items which completed their six-month test market periods, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: grant specialty status to Code #4457, Players Extreme Banana Vodka, 750ML; grant a three-month extension of the

test market period for Code #2782, Lauders Scotch, 750ML; delist Code #208, Shakka Kiwi Liqueur, 750ML; Code #210, Shakka Grape Liqueur, 750ML; Code #209, Shakka Apple Liqueur, 750ML; Code #133, Van Gogh Sunstation Melon, 750ML; Code #165, Van Gogh Amsterdam Chocolate, 750ML; Code #6191, Van Gogh Applefest Sour Apple, 750ML; Code #4458, Players Extreme Mango Rum, 750ML; Code #4459, Players Extreme Coconut Rum, 750ML; Code #5314, Strega Sambuca, 750ML; Code #5573, Toad Mudslide, 750ML; and Code #3214, Fleischmanns Gin, 750ML. The motion was unanimously adopted.

- b. Codes #4427, #5211 & #3496:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission take the following actions for the following three spirit products which completed their six-month test market periods, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: grant specialty status to Code #4427, Rhum Barbancourt 5- Star, 750ML; delist Code #5211, Chocoviac Cognac, 750ML and Code #3496, Sauza Gold Tequila (PET), 750ML. The motion was unanimously adopted.

- 2) One Time Buy Request (Buffalo Trace Bourbon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of New England, Inc. for the Commission to make an additional one-time buy of Buffalo Trace Bourbon, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) February E-Mail Coupons:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve six (6) spirit products to be used in the February 2006 e-mail initiative, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Special Offers for March 2006:

- a. 12 unmatched items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from

M.S. Walker, NH, based upon depletions, without matching state funds, for twelve (12) spirit items, to be featured on sale during March 2006, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 54 unmatched items – Southern Wine & Spirits of N.E.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc. based upon depletions, without matching state funds, for fifty-four (54) spirit items, to be featured on sale during March 2006, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Purchase & Introductions:

- a. Dynamite & Moon Mountain Vineyards:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from Southern Wine & Spirits, N.E., Inc./Diageo Chateau & Estates for the purchase and introduction of three (3) varietal wines from Dynamite Vineyards and Moon Mountain Vineyards during February and March 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Folonari Shiraz & Chianti:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./Frederick Wildman & Sons for the purchase and introduction of two (2) Folonari wines during February and March 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Sterling & Diamond Special Sale for Valentines Day:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions/special purchase allowances for eleven (11) Sterling and Francis Coppola Diamond wines, to be featured on sale during

February 2006, but that these items be considered for the February floor planner with all other items when it is prepared, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Valentines Display Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that a Valentines display request for February 2006 from Southern Wine & Spirits of N.E., Inc./Moet Hennessey be tabled and referred back to Marketing for reconsideration when preparing the February floor planner. The motion was unanimously adopted.

4) “French Connection” Display Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc./Diageo Chateau & Estates to display seven (7) French wine codes during February 2006, but that these items be considered with all other items when the February floor planner is prepared, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Connoisseur Wine Company Special Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc. on behalf of Blackstone, Yellow Tail & Ravenswood wineries (represented by Connoisseur Wine Company), to conduct a special case sale program featuring fourteen (14) wines during February 2006, and that the program be considered with all other items when the February floor planner is prepared, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Test Marco Real 42164:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH to test Code #42164, Marco Real Garnacha by placing three absolutes in each Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Trumpeter Merlot (28157) & Malbec/Syrah (42148):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH to introduce Code #28157, Trumpeter Merlot and Code #42148, Trumpeter Malbec/Syrah into retail store locations by placing three absolutes of both codes in all Cluster 1 stores and Stores #55 Bedford and #60 West Lebanon, and approve the removal of specified Argentina wine codes from retail availability, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Nouveau Beaujolais 2005 Mark Down:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve markdowns on the price of two 2005 Nouveau Beaujolais codes in order to deplete remaining inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Increased Distributions:

a. Rosa Regale & Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Banfi Vintners to expand the distribution of Code #18027, Rosa Regale, 750ML size by placing three absolutes in ten (10) additional stores, and approve a “Romantic Getaway” sweepstakes in support of this promotion, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Qupe Syrah:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH/Qupe Winery to expand the distribution of Code #36123, Qupe Syrah, 750ML size by placing three absolutes in all Cluster 1 stores and Stores #15 Keene, #49 Plaistow, #55 Bedford and #60 West Lebanon, and approve the removal of specified California Syrah codes from retail availability, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Las Rocas:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker, NH/European Cellars to expand the distribution of Code #39254, Las Rocas, 750ML size by placing three absolutes in Stores #15 Keene, #34 Salem, #50 Nashua, #55 Bedford, #60 West Lebanon, #66 and #67 Hooksett and #76 Hampton, and approve the removal of specified Spanish wine codes from retail availability, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Recommended Allocated Wines for Distribution to Selected Stores (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eight (8) allocated wine items for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

11) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) allocated wine items (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

12) Primary Source Submissions (6 primary source; 7 exclusive agent; 8 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of six (6) wine codes which are from primary source, seven (7) wine codes which are offered by the exclusive marketing agent, and eight (8) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

13) Tabled Items:

a. Dom Perignon Pricing (11/30/05, Item B-2):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that this item be removed from the table and referred back to Marketing, to be brought back to the agenda when information is complete. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 22, 2005 through January 4, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

